

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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ILLINOIS NATIONAL INSURANCE COMPANY,

Plaintiff,

Case No. 07 CV 8248 (JFK)

- against -

ANSWER

UNITED STATES FIDELITY AND GUARANTY,

Defendant.

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Defendant United States Fidelity and Guaranty ("USF&G"), by its attorneys Goetz Fitzpatrick LLP, in answer to the Complaint, alleges as follows:

THE PARTIES

1. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 1 of the Complaint.
2. Denies the allegations contained in paragraph 2 of the Complaint, except admits that USF&G is an insurance company.

JURISDICTION AND VENUE

3. Neither admits nor denies the allegations contained in paragraph 3 of the Complaint on the ground that they call for a legal conclusion.
4. Neither admits nor denies the allegations contained in paragraph 4 of the Complaint on the ground that they call for a legal conclusion.
5. Neither admits nor denies the allegations contained in paragraph 5 of the Complaint on the ground that they call for a legal conclusion.

BACKGROUND

6. Denies knowledge or information sufficient to form a belief as to the

truth of the allegations contained in paragraph 6 of the Complaint.

7. Denies the allegations contained in paragraph 7 of the Complaint and respectfully refers the Court to the Obligation Bond, Bond No. KF5673 (the "Bond") for the content and full force and effect thereof.

8. Denies the allegations contained in paragraph 8 of the Complaint and respectfully refers the Court to the Bond for the content and full force and effect thereof.

9. Denies the allegations contained in paragraph 9 of the Complaint and respectfully refers the Court to the Bond for the content and full force and effect thereof.

10. Denies the allegations contained in paragraph 8 of the Complaint and respectfully refers the Court to the September 23, 2004 letter for the content and full force and effect thereof.

11. Upon information and belief, denies the allegations contained in paragraph 11 of the Complaint.

FIRST CAUSE OF ACTION

12. USF&G repeats and realleges each and every allegation contained in paragraphs 1 through 11 of this Answer as though fully set forth herein.

13. Denies the allegations contained in paragraph 13 of the Complaint.

14. Denies the allegations contained in paragraph 14 of the Complaint.

FIRST AFFIRMATIVE DEFENSE

15. The Complaint fails to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

16. USF&G canceled the Bond effective October 7, 2004. Upon information and belief, some or all of the claims are outside the cancellation period.

THIRD AFFIRMATIVE DEFENSE

17. Defendant USF&G's liability, if any, is limited to the penal sum of its bond, as reduced by payments made thereunder.

WHEREFORE, defendant USF&G demands judgment dismissing the Complaint in its entirety and awarding USF&G such other and further relief as the Court deems just and proper, including costs and reasonable attorneys' fees.

Dated: New York, New York
December 12, 2007

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States Fidelity & Guaranty

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